

REBUTTAL TESTIMONY OF MARK A. MARTIN

ATMOS ENERGY CORPORATION

ILLINOIS
COMMERCE COMMISSION

AUG 10 11 34 AM '01

CHIEF CLERK'S OFFICE

1 Q. Would you please state your name, responsibility, and business address?

2 A. Mark A. Martin, Senior Analyst – Rate Administration, Atmos Energy
3 Corporation (“Atmos,” or “Company”), 381 Riverside Drive, Suite 440, Franklin,
4 Tennessee 37064.

5 Q. Have you previously testified in this proceeding?

6 A. Yes, on February 28, 2001, I filed direct testimony.

7 Q. Please state the purpose of your rebuttal testimony in the proceeding.

8 A The purpose of my rebuttal testimony will be to address Staff’s accounting
9 adjustment which is contained in the testimony of Staff witness Mary Everson and
10 the purchasing practice recommendation which is contained in the testimony of
11 Staff witness Eric Lounsberry.

12 Q. What is Staff’s accounting adjustment?

13 A. On page 5 of Ms. Everson’s Direct Testimony, she states that the Company has
14 inadvertently carried forward an incorrect amount of interest from supporting
15 documents to the annual reconciliation. She further testified that if the Company
16 had instituted the correct amount of interest, then the Company’s need to request a
17 Factor O for the Vandalia, Harrisburg and Metropolis service areas would be
18 eliminated.

19 Q. Does the Company agree with Ms. Everson’s Recommendation?

20 A. Yes.

21 Q. What is Staff’s purchasing practice recommendation?

1 A. On page 5 of Mr. Lounsberry's Direct Testimony, he asserts that the Company
2 should consider purchasing a portion of its gas supply with contracts that are not
3 tied to index pricing in an effort to provide price stability for its Illinois
4 customers.

5 **Q. Has the Company modified its gas purchasing strategy in Illinois for the**
6 **upcoming winter heating season?**

7 A. Yes. In an effort to mitigate the possibility of a reoccurrence of last winter's price
8 spikes, the Company has modified its historical gas purchasing strategy. Company
9 representatives met with ICC staff personnel on May 1, 2001 to discuss its gas
10 purchasing strategies to mitigate price spikes and achieve price stabilization for
11 the winter of 2001-2002. Historically, the Company has purchased gas at market
12 prices. After experiencing nearly fifteen (15) years of generally flat prices,
13 natural gas prices surged by some three hundred percent (300%) to an all time
14 high of \$9.98/MMBtu in December 2000. These unprecedented increases in gas
15 cost coupled with colder than normal weather imposed financial hardships for the
16 Company's customers in all service areas. In an effort to diversify its gas
17 portfolio in order to reduce price risk for ratepayers and to address the potential
18 for a reoccurrence of the dramatic price increases, the Company has discussed
19 with Staff strategies utilizing various financial tools to provide price stabilization
20 during the winter season. At present, the Company plans to "hedge"
21 approximately fifty percent (50%) of its winter requirements net of storage for its
22 Illinois customers. The Company believes its purchasing strategy is consistent

1 with the suggestions and recommendations in the NOI manager's Report, Docket
2 01-NOI-I presented on behalf of the Staff on April 17, 2001 and addresses the
3 issues raised in Mr. Lounsberry's testimony. The Company is constantly
4 monitoring market conditions and as they change, it may be necessary for the
5 Company to modify its plan accordingly.

6 **Q. Does Mr. Lounsberry believe that the Company made prudent purchasing**
7 **decisions during the reconciliation period?**

8 A. Yes. On line 38 on page 3 of Mr. Lounsberry's Direct Testimony, he cites that
9 "... the Company's natural gas purchasing decisions were prudent."

10 **Q. Does this conclude your testimony?**

11 A. Yes.